

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Holiday Inn
1050 Burnett Avenue
Concord, CA 94520
June 28, 2001

PANEL MEMBERS

Marsha Kwalwasser
Acting Chairperson

David Brown
Member

Aram Hodess
Member

Robert Holstein
Member

Robert Lennox
Member

Patricia Murphy
Member

Tom Rankin
Member

Executive Staff

Ada Carrillo
Acting Assistant Director

Peter G. DeMauro
General Counsel

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Holiday Inn
1050 Burnett Avenue
Concord, CA 94520
June 28, 2001

I. CALL TO ORDER

Ms. Kwalwasser, Acting Chairperson, called the public Panel meeting to order at 10:00 a.m.

II. ROLL CALL

Members Present

Marsha Kwalwasser, Acting Chairperson
David Brown
Aram Hodess
Robert Holstein
Pat Murphy
Tom Rankin

Members Absent

Robert Lennox

Executive Staff Present

Ada Carrillo, Acting Assistant Director for Administration
Peter DeMauro, General Counsel and Acting Executive Director

III. APPROVAL OF AGENDA

ACTION: Mr. Brown moved and Mr. Rankin seconded the Panel approve the Agenda.

Motion carried, 6 – 0.

IV. APPROVAL OF MINUTES

ACTION: Mr. Holstein moved and Mr. Brown seconded the Panel approve the minutes of May 24, 2001.

Motion carried, 6 – 0.

V. REPORTS OF THE PANEL MEMBERS

Mr. Rankin reported that the effort to retain ETP's reserve funds was unsuccessful. He also stated that when the Panel's enabling legislation sunset date was deleted via SB 43, there was an oversight and the companion Employment Training Tax sunset date was not deleted. He stated there is a trailer bill, Assembly Bill 429, which would eliminate the sunset date.

Mr. Brown stated he would like to discuss the \$11.54 minimum wage issue at the meeting scheduled for June 29. Mr. DeMauro stated the minimum wage issue was not addressed in the strategic plan but it could be mentioned without going into any depth or making any recommendations. Ms. Kwalwasser stated the wage issue could be agendaized for the July Panel meeting for Public Comment and for Panel discussion.

VI. REPORT OF THE EXECUTIVE DIRECTOR

Mr. DeMauro announced that a portion of this Panel meeting would be held by teleconference with Robert Lennox per Government Code Section 11123(b) due to quorum problems. He announced that the emergency regulations regarding the definitions for frontline workers, working poor and high unemployment area, as well as regulations pertaining to literacy training and special employment training projects were approved as permanent regulations by the Office of Administrative Law. Mr. DeMauro reported staff is revising regulations regarding Workforce Investment Boards and in-kind contributions. These will be brought to the Panel in the future. Mr. DeMauro also addressed the project review process for those projects that are less than \$100,000 that are currently sent to the Panel members mid-month under separate cover. If a Panel member has any questions on any project included in the packet and wants that project heard by the full Panel, and he/she notifies staff within ten days after receipt of the packet, that project will be brought forward for presentation at the Panel meeting. He stated he would approve those projects receiving no comments from Panel members.

Mr. DeMauro reported he and staff attended and participated in a recent 2001 BioTech Conference held in San Diego. He stated the conference was well attended and that he was encouraged by the significant number of contacts made.

VII. OVERVIEW OF CALIFORNIA ECONOMIC CONDITIONS

Dr. Stephen Levy, Center for Continuing Study of California Economy, reported that statistics show that California has experienced tremendous economic growth over the last five years. Results from studies show the lower minimum wage range has had the

most significant increase over the last 20 years while the higher income range has remained constant and level. He stated career ladders and the need for a skilled workforce are the goals for the 21st Century by providing training to employees thus enabling them to promote into higher paying jobs and a career path to stable jobs. He stated there would be more “breadth” to workforce efforts if the marketing focus were on multi-employer industries, such as the service industry or apparel industry. Mr. Levy stated one of the recommendations that is going to be made in a future report, is that EDD, ETP, local WIBs, and community colleges could benefit from intensive research on the identification of industries. He stated that he believed industry focus rather than individual employer focus would better serve ETP’s purpose.

VIII. AGREEMENTS AND AMENDMENTS

Robert Lennox joined the Panel meeting at 11:00 a.m. via teleconference pursuant to Government Code Section 11123(b). Ms. Kwalwasser and Mr. Brown recused themselves from any participation, including the discussion and action, on Wal-Mart Stores, Inc. Ms. Kwalwasser also recused herself from any participation, including discussion and action, on the Northrop Grumman project. Mr. Rankin recused himself from any participation, including the discussion and action, on California Labor Federation, Workforce & Economic Development Program. Mr. Hodess presided.

Wal-Mart Stores, Incorporated – Distribution Center, Porterville

Charles Rufo, manager of ETP's Sacramento field office, presented a One-Step Agreement for Wal-Mart Stores, Inc. – Distribution Center, Porterville in the amount of \$1,242,460. This project is a Technology, Trade and Commerce Agency referral. This Agreement proposes to retrain 850 employees in a menu curriculum consisting of Continuous Improvement, Leadership Skills, Computer Skills, Manufacturing Skills, and Vocational English as a Second Language to move a High Performance Workplace.

The Wal-Mart distribution center in Porterville receives merchandise from manufacturers located throughout the world. This distribution center is located in Tulare County, where the unemployment rate is 17.8 percent, exceeding the State average by more than 50 percent and is considered a High Unemployment Area.

Wal-Mart Stores estimates training and training related costs not covered by ETP funds to be \$50,000. The Company estimates that the wages to be paid to trainees during training will be \$1,994,400. Additionally, the expected training expenditure for the two years following ETP training will be approximately \$2 million.

Mr. Rufo introduced Kent Delperdang, General Manager of Wal-Mart Stores, Inc., and William Parker, President of National Training Systems, Inc. Mr. Delperdang stated this request for funding is for the training of employees in the distribution center and not for Wal-Mart retail stores. He stated the Company’s goal is to keep the distribution center in

California. Mr. Rankin questioned the salary range and opportunities for advancement. Mr. Delperdang replied the employees are advanced according to seniority. Mr. Hodess stated his concerns regarding out of state competition and the Company's headquarters being located outside of California, and funding retail facilities or a facility directly related to a large retail facility. He also noted the competition faced by California businesses when a Wal-Mart store arrives in a community. Mr. Delperdang stated this facility provides stable employment for people who are located in a poverty area. Ms. Murphy stated a distribution center could locate and operate anywhere and the importance of keeping a distribution center in California, especially in a high unemployment area such as in California's Central Valley. Mr. Lennox shared Mr. Hodess' concerns regarding the effects of a large California retail facility competition on smaller California businesses but stated the mission of the Panel is to raise the skill level of workers, especially in the high unemployment areas.

Mr. Holstein recused himself from further discussion and action on the Wal-Mart Stores proposal.

ACTION: Mr. Hodess moved and Mr. Brown seconded the Panel delegate authority to the Acting Executive Director to act on any matter presented at today's Panel meeting where there is a quorum problem.

Motion carried, 7 – 0 (Mr. Brown – yes; Mr. Hodess – yes; Mr. Holstein – yes; Mr. Lennox – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

Northrop Grumman Corporation

Mr. Rufo presented a One-Step Agreement for Northrop Grumman Corporation in the amount of \$1,592,760 to retrain 2,940 employees in Continuous Improvement. This project was brought to the Panel's attention through the marketing efforts of the California Technology Trade and Commerce Agency. Northrop Grumman Corporation is an advanced technology company operating in three defense-related sectors. The Company builds approximately 40 percent of the fighter/ground-attack aircraft in El Segundo. The training in this Agreement has not previously been provided by Northrop Grumman. This is a major training initiative, and ETP assistance will permit the Company to implement the training more rapidly and reach more employees in a shorter period of time. The Company's contribution towards training-related expenses, which will not be covered by ETP funds, totals \$2 million for development of training materials and trainer and training administration costs, and \$5.4 million for employee wages to be paid during training. No senior level executives will be trained or reimbursed by ETP funds. Following completion of the training proposed in this contract, the Company would continue to provide training for an estimated cost of \$5 million per year.

Mr. Rufo introduced Janis Pamilijans, Vice President. Mr. Pamilijans spoke on the importance of "lean" manufacturing training which is the means of adding value by

eliminating waste, being responsive to change, focusing on quality and enhancing the effectiveness of the workforce. The Department of Defense has encouraged lean initiatives by contractors as a method of creating products faster, more inexpensively, and better at a time of declining defense spending. Lean applies not just to production, but also to other stages of aerospace systems including planning, contracting, development, budgeting, and other administrative functions.

ACTION: Mr. Brown moved and Mr. Rankin seconded the Panel approve the One-Step Agreement for Northrop Grumman Corporation.

Motion carried, 6 – 0 – 1 (Roll call vote: Mr. Holstein – yes; Mr. Lennox – yes; Ms. Murphy – yes; Mr. Rankin – yes; Mr. Hodess – yes; Mr. Brown – yes. Ms. Kwalwasser had recused herself from participation, including discussion and action).

IX. MARKETING AGREEMENTS

Workforce & Economic Development Program, California Labor Federation, AFL-CIO

Mr. Lundberg presented a proposal for a marketing agreement with the California Labor Federation, Workforce & Economic Development Program in the amount not to exceed \$400,000 for marketing the ETP program to targeted industries. This program will continue to assist ETP in marketing its services to the labor and business communities.

Mr. Lundberg introduced Sojeila Maria Silva, Executive Director. Ms. Silva stated that the California Labor Federation is a statewide association of 1,300 labor-affiliated organizations. She explained the process of targeting employers through the unions, thereby building participation and the “buy-in” of the workers that are to be trained. To ensure the on-going collaboration and participation of both the union and the employer, the California Labor Federation staff is involved in the development of the ETP contract.

Staff recommended that the Panel delegate authority to the Executive Director to finalize the details of the contract in order to expedite the process.

ACTION: Mr. Lennox moved and Mr. Holstein seconded the Panel approve proposed marketing agreement and delegate authority to the Executive Director to finalize.

Motion carried, 6 – 0 – 1 (Roll call vote: Mr. Brown – yes; Mr. Hodess – yes; Mr. Holstein – yes; Mr. Lennox – yes; Ms. Murphy – yes; Ms. Kwalwasser – yes. Mr. Rankin abstained from the vote).

The teleconference portion of the Panel meeting was concluded.

X. PUBLIC COMMENT

There were no members of the public who wished to comment.

XI. AGREEMENTS AND AMENDMENTS CONTINUED

B. Braun Medical Inc.

Diana Torres, manager of ETP's San Diego field office, presented a One-Step Agreement for B. Braun Medical, Inc. in the amount of \$476,548 to retrain 556 employees in Business Skills, Manufacturing Skills, and Computer Skills. B. Braun Medical Inc. designs, manufactures and distributes medical products. B. Braun began the transition to a high performance workplace with its previous ETP-funded contract, which was 78 percent successful. B. Braun's investment in training and training-related costs not covered by ETP funds is approximately \$220,000, and wages to be paid to employees during training will total approximately \$777,352.

Mr. Torres introduced Mike Wallace, Vice President & General Manager, and Michelle Rychener, Trainer.

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve the proposal.

Motion carried, 6 – 0.

Rohr, Inc., d.b.a. Goodrich Aerostructures Group

Ms. Torres presented a One-Step Agreement for Rohr, Inc., d.b.a. Goodrich Aerostructures Group (GAG) in the amount of \$701,350 to retrain 1,000 employees. This project is a referral from the California Manufacturers and Technology Association and is supported by the Aeronautical Mechanics and Aerospace Workers Local Union 755. GAG designs and manufactures specialized aerodynamic Aerostructures for commercial and military aircraft. The aircraft parts manufacturing industry is extremely competitive and the cost of doing business in California continues to climb. The Company is in the process of implementing a Lean Manufacturing production process, wherein flow time is reduced and production rates are increased. The employees will be cross-trained to become multi-skilled in order to support a total lean manufacturing environment. GAG's investment in training and training-related costs not covered by ETP funds will be approximately \$431,000 and wages to be paid to employees during training will total approximately \$1,370,775.

Ms. Torres introduced Valorie McClelland, Manager of Communications.
Ms. McClelland stated the Company is committed to ongoing team training programs.

ACTION: Mr. Brown moved and Ms. Murphy seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 – 0.

Celestica Corporation

Ms. Torres presented a One-Step Agreement for Celestica Corporation in the amount of \$290,013 to retrain 301 employees. Ms. Torres stated the Company maintains it has experienced rapid growth during the previous ETP Agreement, which created severe production demands causing scheduling conflicts. As a result, the Company was unable to complete all training as planned. Celestica Corporation will invest approximately \$475,217 for this training project.

Ms. Torres introduced Steve Smithling, Manufacturing Operations Manager. Mr. Smithling explained that this training program is not as aggressive as the previous program and that half of the training will be computer-based training.

ACTION: Mr. Brown moved and Mr. Holstein seconded the Panel approve the proposal.

Motion carried, 6 – 0.

Project Employment Program, Inc. d.b.a. San Diego Hospitality Institute

Ms. Torres presented a One-Step Agreement for Project Employment Program, Inc. d.b.a. San Diego Hospitality Institute in the amount of \$153,200 to train 40 new hires. The San Diego Hospitality Institute is a non-profit training agency providing hospitality industry training to meet the needs of San Diego County employers. Ms. Torres stated that although the cost of \$3,830 per trainee is above the ETP average, the cost is justified by the average wage increase within the first year of employment. The Contractor's training costs not covered by ETP funds will total approximately \$5,500.

Mr. Torres introduced Marlene Whiteside, Founder and CEO. Mr. Brown asked how training was funded in the past. Ms. Whiteside explained the Institute had previously utilized JTPA funds. Mr. Rankin asked which of the Hotels are union. Ms. Whiteside replied that there are no union Hotels participating in this proposal, but there have been union Hotels participating in its prior training programs. Mr. Rankin asked if tips are included in the hourly wage rate. Ms. Torres explained that tips are only included in the upper wage range.

ACTION: Mr. Holstein moved and Ms. Murphy seconded the Panel approve the One-Step proposal

Motion carried, 6 – 0.

Southwest Marine, Inc.

Ms. Torres presented a One-Step Agreement for Southwest Marine, Inc. in the amount of \$224,640 to retrain 406 employees in Continuous Improvement Skills. This project is a referral from the California Trade & Commerce Agency. Southwest Marine manufactures, repairs, renovates and modernizes marine vessels for the U.S. Navy and commercial or civilian companies. Company representatives state that Southwest Marine continues to be committed to investing funds for training employees to improve skills and performance, and projects it will invest an additional \$200,000 in skills training in the two years following completion of this ETP project.

Mr. Torres introduced David Engel, Senior Vice President of Operations, and Teresa Montano, Human Resources Manager. Mr. Hodess asked if the technical skills training would be craft specific. Ms. Montano replied the training is to be trade specific. She stated only journeymen level employees or those employees who have at least three years experience in their specific trade are included in this training project. She said the proposed training in no way duplicates or competes with approved apprenticeship programs.

ACTION: Mr. Hodess moved and Mr. Rankin seconded the Panel approve the proposal.

Motion carried, 6 – 0.

Alberto Culver

Ms. Torres presented a One-Step Agreement for Alberto Culver in the amount of \$189,320 to retrain 210 employees in Continuous Improvement, Manufacturing and Computer Skills. Alberto Culver produces cosmetic products. To remain competitive, Alberto Culver must strive to become a high performance workplace. The Company plans to convert to a more decentralized organizational structure where workers have a stake in the production process, are able to work in teams, and to solve problems independently. The Company is improving its manufacturing processes, and trying to lower costs and improve quality. Alberto Culver will pay all wages and benefits while workers are in training which will total \$271,000, and an additional \$80,000 will be expended on lost production time.

Ms. Torres introduced Cindy Lange, Human Resources Manager from Alberto Culver, and Roger Korte, Director of Manufacturing. Mr. Korte stated the Company has not had a formal company-wide training program and would not be able to implement a project of this size without the help of ETP funds. He stated the cosmetic industry is highly competitive and in order to remain competitive and viable in the California economy, Alberto Culver is dedicating a large amount of resources for research to develop new

product lines as well as to lower the costs, improving quality, and meeting faster delivery times. He added that this training would enable workers to communicate more effectively, share information quickly, and use the best processes so that the Company may remain competitive. The Company is being equipped to adapt to a rapidly changing marketplace and advancing technology.

ACTION: Mr. Brown moved and Mr. Rankin seconded the Panel approve this One-Step Agreement.

Motion carried, 6 – 0.

Baxter Healthcare

Ms. Torres presented a One-Step Agreement for Baxter Healthcare Corporation in the amount of \$357,370 to train 553 employees in Continuous Quality Improvement. This project was a referral from the Technology Trade and Commerce Agency. Baxter manufactures biopharmaceuticals for the treatment of hemophilia, immune deficiencies, and other blood related disorders. Baxter is in the process of building a fourth manufacturing unit in the Thousand Oaks facility to increase production and incorporate new, more advanced biotechnology. Baxter's budgeted investment for building this new facility is \$40,000,000 in addition to \$3,000,000 on technology upgrades. Baxter will pay employee wages while they are in training totaling approximately \$570,00. Training to be provided by Baxter in the two years following the ETP funded training will cost approximately \$500,000 per year.

Ms. Torres introduced Paul Marshall, Senior Director of Operations, and Tracey Erwin, Director of Human Resources.

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve this One-Step Agreement.

Motion carried, 6 – 0.

Biosense Webster, Incorporated

Ms. Torres presented a One-Step Agreement for Biosense Webster, Inc. in the amount of \$183,040 to train 260 employees in Continuous Improvement. Biosense Webster manufactures cardiac instruments. This training will enable frontline employees to streamline operations, improve quality, and eliminate defects or mistakes resulting in reduced costs and increased customer satisfaction, thereby helping to ensure continued employment and long term job security. Biosense will be paying \$78,000 for company provided on-the-job training to implement class/lab training and approximately \$170,000 in wages will be paid to employees while in training.

Ms. Torres introduced Jan Maunder, Director of Competitive Excellence for Biosense Webster, and Donna Bartlett from Spectra Business Improvement Systems, Inc.

ACTION: Mr. Rankin moved and Mr. Holstein seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 – 1 (Mr. Brown recused himself from the vote).

Disneyland, a Division of Walt Disney World Co.

Ms. Kwalwasser recused herself from any participation, including discussion and action on the proposal for Disneyland. Mr. Hodess presided.

Ms. Torres presented a One-Step Agreement for Disneyland, a Division of Walt Disney World Inc. in the amount of \$1,300,520 to train 599 employees in Commercial Skills and Management Skills. This project was developed with the assistance of the California Technology Trade and Commerce Agency. Disney has grown into a diversified and highly sophisticated entertainment organization. This project is supported by the International Association of Machinists and Aerospace Workers; International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts; and the International Brotherhood of Electrical Workers. Disney will pay approximately \$1.8 million in trainees wages while employees are in training and approximately \$1.2 million for trainer wages and training materials not covered by ETP funding.

Ms. Torres introduced Joe Gomez, Facilities Training Manager for Disneyland, and Nancy Boulton, Director of Cre8tive Training Solutions. Mr. Rankin was concerned about a recent news article regarding Disney laying off 1,000 employees. Mr. Gomez replied the layoff was a worldwide reduction of workers, but it did not impact the classification of the employees in this project.

ACTION: Mr. Brown moved and Ms. Murphy seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 – 1 (Ms. Kwalwasser recused herself from discussion and vote).

Entertainment Industry Development Corporation

Ms. Torres presented a proposed Amendment for Entertainment Industry Development Corporation for an additional \$1,519,800 to train 929 employees in a third phase of existing training. The technology in this industry is expanding and changing rapidly. The rapid expansion of the internet and its growing bandwidth require employees to have a wider variety of skills sets in order to meet the unique needs of various distribution methods. The Contractor and its Phase III participating employers have committed to approximately \$786,158 for wages to be paid during training and additional administrative costs not

covered by ETP funding. This project is supported by the International Alliance of Theatrical Stage Employees Moving Picture Technicians, Artists and Allied Crafts.

Mr. Torres introduced Kathleen Milnes, Senior Vice President of Public Affairs. Mr. Rankin requested copies of all union support letters be included in the Panel packet. Ms. Milnes replied that support letters from the unions involved in the original were included with the original proposal. She stated there are a few new unions represented amongst the participating employers that have support letters and she will send the list to ETP. Mr. Rankin was concerned with the low hourly wage rate of \$10.58. Ms. Milnes explained there is a very wide range of wages. The lower wage ranges are for those employees in upgrade skills training.

ACTION: Ms. Murphy moved and Mr. Brown seconded the Panel approve the Amendment.

Motion carried, 6 – 0.

Frito-Lay Incorporated

Mr. Rufo presented a One-Step Agreement for Frito-Lay, Inc. in the amount of \$124,410 to train 122 employees in Management Skills, Business Skills, Continuous Improvement, Commercial Skills, and Computer Skills. This project was a California Manufacturing and Technology Association referral to the Panel. Frito-Lay produces and distributes a wide range of snack foods. The total estimated employer contribution is \$130,299 for trainee wages paid during the duration of the training project.

Mr. Rufo introduced Mark Hughes, Southern California Regional Operations Manager, John Greenbank, Productivity Manager, and Barbara Sierra, Southern California Operations Trainer. Mr. Brown was concerned with the problems encountered in the previous projects. Mr. Hughes replied the other projects were for manufacturing sites, different divisions of the Company. Ms. Sierra stated the Company has learned from their mistakes, and will have a dedicated trainer, will be training in 40-hour “blocks,” and plan to have an improved tracking system.

ACTION: Mr. Brown moved and Ms. Murphy seconded the Panel approve this One-Step Agreement.

Motion carried, 6 – 0.

Klune Industries, Incorporated

Mr. Rufo stated that Klune Industries, Incorporated has been withdrawn from consideration at this month’s Panel meeting.

Neutrogena Corporation

Mr. Rufo presented a One-Step Agreement for Neutrogena Corporation in the amount of \$325,092 to train 251 employees. Neutrogena Corporation is a global company and produces a wide range of cosmetic products. Neutrogena is constantly refining and improving its research and development and manufacturing processes to meet the demands of its customers. Neutrogena recently conducted a thorough training needs assessment that revealed that much of its workforce lack the necessary skills to effectively interact in the high performance workplace it plans to implement. Employees will receive training in Management Skills, Continuous Improvement and Manufacturing Skills. Training in Computer Skills includes exposure to programs designed to help employees reduce costs and increase utilization of computerized equipment. Neutrogena anticipates spending approximately \$895,00 for training and training related costs not covered by ETP. This includes an estimated \$450,00 in employee wages while they are in training.

Mr. Rufo introduced George Morrison, Director of Customer Satisfaction.

ACTION: Mr. Holstein moved and Mr. Hodess seconded the Panel approve this proposal.

Motion carried, 5 – 0 – 1 (Mr. Brown recused himself from discussion and vote).

Pechiney Cast Plate

Mr. Rufo presented a One-Step Agreement for Pechiney Cast Plate in the amount of \$113,432 to train 92 employees. The Company manufactures cast aluminum plate for machining products for the auto, aerospace, food processing, and computer industries. The Company is installing a new mill to better balance production, and is seeking funding assistance for training. The United Auto Workers, representing the hourly workforce, supports this project. Pechiney Cast Plate estimates training and training-related costs including trainer salaries not covered by ETP funds to be approximately \$25,000 and trainee wages to be paid during training to be approximately \$271,000.

Mr. Rufo introduced Charles Shepherd, Plant Controller for Pechiney Cast Plate; Gene Hurd, President, Local 808 International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America; and Richard Boyle, President, UAW Labor Employment and Training Corporation.

ACTION: Mr. Rankin moved and Mr. Hodess seconded the Panel approve the One-Step Agreement.

Motion carried, 6 – 0.

QAD, Inc.

Mr. Rufo presented a One-Step Agreement for QAD, Inc. in the amount of \$283,800 to train 310 employees in Technical Skills, Computer Skills, Continuous Improvement, and Business Skills. QAD, Inc. develops and supplies software for manufacturers worldwide. QAD customizes its software in 26 different languages to solve problems specific to the automotive, electronic, medical, and food industries. With the technology changing at a fast rate and in order to remain viable in California, QAD must convert to a high performance workplace by providing new and advanced skills to its workforce. The Company estimates wages paid to trainees while in training will total \$774,794 and costs for training expenses not covered by ETP will be approximately \$139,750.

Mr. Rufo introduced Ray Harding, Director of Training. Mr. Harding stated he was a new employee with QAD when the first ETP project was implemented. He was previously employed in the "hardware" industry, which is totally different from this software industry. He stated he was too aggressive with the first training plan and he did not involve the line management. He stated he did believe the Company was very successful, however, in developing the technical skills, process improvement, and leadership management. He stated the Company's commitment to training has tripled in the last two years.

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

Delta Dental Plan of California

Mr. Rufo presented a One-Step Agreement for Delta Dental Plan of California in the amount of \$176,880 to train 284 employees in Continuous Improvement, and Computer Skills. This project was brought to ETP through the efforts of the California Technology, Trade and Commerce Agency. The Company is requesting ETP funding to assist it in becoming a high performance workplace by upgrading the skills of the workforce so the employees will be able to utilize new, advanced automation systems. The Teamsters Union Local 856 supports this training project. Delta's supplemental contribution to training is estimated to be \$370,000 for employee wages to be paid while in training, and \$17,286 to be paid for other training costs not covered by ETP funds. The Company estimates it will spend approximately \$200,000 for employee training in two years subsequent to the ETP training.

Mr. Rufo introduced Michael Kaufman, Senior Vice President, and Eileen Clark, Director. Mr. Kaufman stated Delta Dental has a turnover rate of 8 percent, which is very low for the industry.

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

Flextronics International USA, Incorporated

Mr. Rufo stated that Flextronics International USA, Incorporated, has been withdrawn from consideration at this month's Panel meeting.

Atmel Corporation

Creighton Chan, manager of ETP's San Mateo field office, presented a One-Step Agreement for Atmel Corporation in the amount of \$210,212 to train 427 employees. Atmel Corporation designs, manufactures, and ships over four million integrated circuits per day for use in a variety of communications, computer, and consumer applications. Atmel is trying to become a major supplier to the wireless and telecommunication industry. New software and computer program languages, approaches, and skill sets need to be used to effectively address this emerging market and to advance the adaptation to a high performance workplace. Atmel will continue to provide basic manufacturing training, training of newly hired production staff, and basic team skills training at its own cost. Atmel's investment in training and training-related costs not covered by ETP funds are estimated to total \$559,560, and wages paid to employees during training are estimated to total \$307,560.

Mr. Chan introduced Bob Watanabe, Continuous Improvement Coordinator. Mr. Rankin stated his concern regarding the Company's high turnover rate of 17 percent. Mr. Watanabe stated the software industry is a very competitive industry and employees tend to move from company to company within the industry. He stated, hopefully, training will help to retain employees but there can be no guarantee.

ACTION: Ms. Murphy moved and Mr. Holstein seconded the Panel approve One-Step Agreement.

Motion carried, 6 - 0.

Lam Research Corporation

Mr. Chan presented a One-Step Agreement for Lam Research Corporation in the amount of \$1,014,000 to train 1,500 employees in Business Skills, Commercial Skills, and Continuous Improvement Skills. Lam Research Corporation manufactures, designs, markets, and is a service provider of products for the semiconductor industry. Lam Research has recently developed a highly technical process which requires Lam to prepare its employees for the implementation of the new process and move the Company to a high performance workplace. Lam estimated training costs not covered by ETP funds will total \$500,000 and wages to be paid to employees while they are in training will total \$3,300,000.

Mr. Chan introduced Michele Izor, Senior Director. Ms. Izor stated without ETP funds, Lam would be limited to providing training in smaller increments. She stated with ETP's assistance the Company would be able to provide training to a larger number of employees in a shorter period of time. Ms. Murphy questioned the high project administration fee of \$35,000 for PricewaterhouseCoopers. She stated the more successful projects with ETP have been administered in-house. She asked what was Lam Research's plan to track the performance of PricewaterhouseCoopers. Mr. Izor stated Lam Research is partnering with PricewaterhouseCoopers and not just "handing off" the administration solely to PricewaterhouseCoopers.

ACTION: Mr. Brown moved Ms. Murphy seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

TriNet

Mr. Chan presented a One-Step Agreement for TriNet in the amount of \$172,930 to train 150 employees in Continuous Improvement, Computer Skills, Customer Service Skills, and Management Skills TriNet provides long-term, high tech staffing support for major clients in 48 states. The Company will pay for all wages and benefits while workers are in training at an estimated cost of \$489,461.

Mr. Chan introduced Fatima Tayler, Human Resources Generalist, and Helen Salamanca, Director. Mr. Salamanca explained the high turnover rate of 19 percent is mainly due to its out of state facilities and to the explosive growth of the high tech industries. She stated she believes that with the Internet industry now slowing down, the turnover rate will stabilize.

ACTION: Ms. Murphy moved and Mr. Holstein seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

USS-POSCO Industries

Mr. Chan presented a One-Step Agreement for USS POSCO Industries in the amount of \$142,790 to train 181 employees. The project was brought to the Panel through the efforts of the California Manufacturing Technology Association. USS POSCO Industries manufactures finished steel products. The United States steel industry has recently had a serious downturn in business due to the abrupt release of foreign steel into the U.S. market. For USS-POSCO Industries to remain a viable company in California, it must invest in plant modernization. The Company has a new \$20 million modernization program consisting of a total upgrade of its Double Cold Reduction Mill. Training must

be focused on the skills needed to support the new and innovative equipment and technology associated with the modernization. Two locals of the United Steelworkers of America Union support this proposal. USS POSCO estimates \$260,000 in wages will be paid in wages to employees while in training and \$260,000 will be paid for other training costs not covered by ETP funds.

Mr. Chan introduced Tom Kilpatrick, Manager of Human Resource Development, Tracy Squire, Training Manager; and Joe Guardia from the United Steelworkers of America.

ACTION: Mr. Brown moved and Mr. Hodess seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

XII. MARKETING AGREEMENTS CONTINUED

California State Chamber of Commerce

Mr. Lundberg presented a proposed Marketing Service Agreement for California Chamber of Commerce for an amount not to exceed \$250,000 over a one-year period. The Chamber will continue to promote ETP to its members, the local chambers, and partner companies.

Mr. Lundberg introduced William Dunphy, Senior Vice President and Chief Financial Officer, and Steve Snyder, Marketing Representative. Mr. Brown asked the total amount being spent for marketing assistance from all organizations with ETP contracts. Mr. Lundberg stated the budget for marketing and research is \$1.5 million per year, and ETP is spending that amount.

ACTION: Mr. Rankin moved and Ms. Murphy seconded the Panel approve the proposed Agreement.

Motion carried, 6 – 0.

XIII. AGREEMENTS AND AMENDMENTS CONTINUED

Technology Integration Group

Ms. Torres presented a One-Step Agreement for Technology Integration Group in the amount of \$196,730 to train 100 employees in Computer Skills. Technology Integration Group provides consulting and implementation services in advanced system integration, network planning and product procurement for small to medium sized businesses. The estimated employer contribution towards training related costs is approximately \$3,000 to \$4,000 per trainee, which includes employee wages during training, benefits, travel, meals, and miscellaneous expenses.

Ms. Torres introduced June Montenegro, School Director, and Dan Austin, Managing Instructor. Mr. Montenegro explained the training provided in this proposal is for experienced IT professionals such as Network Administrators, Systems Engineers, IT Technicians, and Technical Support Specialists who have extensive knowledge in the software but need advanced technical training to meet the needs of participating employers, and this type of training is not offered anywhere else.

ACTION: Mr. Holstein moved and Mr. Brown seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

Copper Connection

Mr. DeMauro stated Copper Connection, Inc. presented a proposed Agreement in the Amount of \$1,254,550 at the May 24, 2001, Panel meeting. Panel voted to allow Copper Connection to submit Budget Workpapers to justify a higher reimbursement rate in lieu of the fixed fee rate of \$20 for Advanced Technology. Based on ETP's staff review of the Budget Workpapers, the maximum reimbursement rate that ETP can permit would not exceed, in most cases, ETP's Advanced Technology fixed fee rate of \$20 per hour (the rates ranged from \$15.51 to \$21.82 per hour). Staff recommends that the Panel approve the Proposed Agreement as a Final Agreement utilizing the fixed fee for Advanced Technology, contingent upon the Contractor providing ETP acceptable Advanced Technology curricula, satisfactory * for Advanced Technology rate for all job groups, a final, signed Primary Contractor's Certification Statement, signed Certification Statements from each participating employer in the core group detailing the supplemental nature of the ETP training, and the employers' in-kind contribution. Mr. DeMauro stated the Contractor has requested an Amendment to add an SOST component, which may be presented to the Panel at a future date.

Mr. DeMauro introduced Mary Sugden, Owner.

ACTION: Mr. Rankin moved and Mr. Hodess seconded the Panel approve the Proposed Agreement as a Final Agreement.

Motion carried, 6 - 0.

National Alliance of Business

Mr. Chan presented a One-Step Agreement for National Alliance of Business (NAB) in the amount of \$1,220,390 to train 1,870 employees from small to medium sized businesses in Management Skills, Business Skills, Continuous Improvement, and Literacy Skills. The majority of the participating employers are manufacturers; others are facing out of state competition in industries such as transportation, distribution and professional services.

Mr. Chan introduced Jeffrey Hull, Senior Manager. Mr. Hull stated NAB requires participating employers provide training on company time, which amounts to a total of approximately \$1,297,720 for in-kind contributions. NAB also requires employers to pay some materials fees of approximating \$50 to \$100 per trainee

ACTION: Mr. Holstein moved and Mr. Hodess seconded the Panel approve the One Step Agreement.

Motion carried, 6 - 0.

Practical Data Processing, Inc.

Mr. Chan presented a One-Step Agreement for Practical Date Processing, Inc. in the amount of \$1,561,250 to train 350 employees and 200 new hires in Computer Skills. Practical Data Processing is a private corporation specializing in computer skills training to serve the needs of the surrounding business community. A number of employees are considered to be "working poor" who currently are in dead end jobs earning low wages and lack the essential job skills necessary to improve their employment and advancement opportunities. The Contractor states that without assistance from the ETP, most small employers simply do not have the financial resources, time, or expertise needed to provide the comprehensive training required to upgrade workers. Most participating companies provide on-going on-the-job training on an individual as-needed basis. These employers are requesting a program to train workers in complex computer software skills that will allow the trainees to achieve workforce skills development, which will facilitate specific, company-oriented goals.

Mr. Chan introduced Nancy Ho, President and CEO. Mr. Rankin and Mr. Hodess stated their concern regarding the high cost of training of \$5,745 per trainee. Ms. Ho replied the high cost of \$5,745 is for Advanced Technology skills training for 360 class lab hours required for the IT Support Specialists to be proficient. Panel requested the Contractor to report back to the Panel at the first of next year on the success of this project.

ACTION: Mr. Holstein moved and Ms. Murphy seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

Elk Grove Unified School District – Business Technology Training Institute

Mr. Rufo presented a proposed Amendment for Elk Grove USD - Business Technology Training Institute in the amount of \$80,052. Based on the success of the first two phases of this project, the Contractor has requested the addition of Phase 3 to the Agreement adding 12 new hire trainees to be trained in Computerized Accounting Skills. The Contractor estimates an in-kind contribution of approximately \$38,000.

Mr. Rufo introduced Gail Zittel, Administrator, and Tom Frazee, Supervisor. Mr. Brown was concerned with using ETP funds to provide training to a school district when there is other funding for available specifically for school districts. Mr. Rankin was concerned with the high cost of training for employees earning low wages of \$11.04 per hour. Mr. Hodess stated he would approve this Amendment if the in-kind contribution were higher. Ms. Kwalwasser stated she believed the job retention period should be longer, 180 days, for this kind of an investment. Mr. Rankin stated he would approve the proposed Amendment if the in-kind contribution was \$75,000 and the job retention period was 150 days.

ACTION: Mr. Rankin moved and Ms. Murphy seconded the Panel approve the proposed Amendment with the in-kind contribution to be \$75,000 and the job retention period to be 150 days.

Motion carried, 5 - 1 (Mr. Brown opposed).

California Manufacturing Technology Center

Mr. Chan presented a Final Agreement for California Manufacturing Technology Center in the amount of \$2,457,080 to train 2,530 employees of small and medium size manufacturing companies. Some of the participating companies are located in areas of high unemployment and some employees are considered "working poor" because they earn low wages in dead-end jobs and lack the essential job skills necessary to improve their employment and advancement opportunities.

ACTION: Mr. Brown moved and Ms. Murphy seconded the Panel approve the proposed Agreement as a Final Agreement.

Motion carried, 6 - 0.

E & J Gallo Winery

Mr. Rufo presented a Proposed Amendment for E & J Gallo Winery in the amount of \$88,450 to add 50 employees to be trained in Continuous Improvement and Manufacturing Skills. The Contractor reports that production and quality have increased significantly. Employees who have participated in the ETP training program have become skilled in solving problems that arise on the production line. The employee

involvement and increased level of knowledge and skills have resulted in promotions and pay increases. The training has made such a significant impact that E & J Gallo believes that all production employees should participate in the training program to complete the Company's move to a high performance workplace. The UFCW Wine, Distillery & Allied Workers Local 185D supports this Amendment request. The Contractor has certified that it will provide an estimated in-kind contribution of \$90,070.

Mr. Rufo introduced Mary Anne Parker, Operations Training Coordinator.

ACTION: Mr. Brown moved and Mr. Rankin seconded the Panel approve the Amendment.

Motion carried, 6 - 0.

NCP Nursing Assistant Training of Stockton

Mr. Rufo presented a Proposed Amendment for NCP Nursing Assistant Training of Stockton in the amount of \$406,000 to add 100 new hires. This Agreement will affect workers in San Joaquin and Stanislaus Counties, which are California counties with an unemployment rate exceeding the state average by at least 50 percent. Upon the completion of training, a graduate is immediately able to find employment in the medical field. The high cost per trainee of \$3,830 is based on 240 hours of training required by the Department of Health Services. Trainees are required to pass the California Certified Nursing Assistant's exam before employment and the 90-day retention period can begin.

Mr. Rufo introduced Elfren Quail, Operations Manager. Mr. Hodess stated the in-kind contribution is insignificant considering the demand for Nursing Assistants. He also stated the wages seem to be very low. Mr. Quail stated the participating employers are committed to additional training to those trainees that are hired. Mr. Rankin and Mr. Hodess requested the retention period be extended.

ACTION: Mr. Hodess moved and Mr. Brown seconded the Panel approve the Amendment with the contingency that there be 180 days retention in the same industry, dementia and Alzheimer training must be provided by the employer, and upon completion of training, the trainee receives an increase in wages.

Motion carried, 6 - 0.

Waterman Industries, Incorporated

Mr. Rufo presented a One-Step Agreement for Waterman Industries, Inc. in the amount of \$198,679 to train 132 employees in Production Techniques, Continuous Improvement, Computer Skills, Business Skills, and Product Knowledge. Waterman

Industries manufactures cast iron components for the critical systems of food production and ecological waste management. Waterman Industries recently underwent a management change that includes a transition towards a high performance workplace. The Company is located in Tulare County which has an unemployment rate of 17.8 percent which exceeds the State unemployment rate by 50 percent. The Company is requesting a wage waiver to \$10.58 per hour. Waterman Industries is committed to training and will invest approximately \$225,000 for wages and benefits to be paid to employees during training and \$25,000 for miscellaneous training expenses.

Mr. Rufo introduced Randall Mullins, Vice President, and Daymon Qualls, Human Resources Manager.

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

Rands Systems, Incorporated

Ms. Torres presented a One-Step for Rands Systems, Inc. in the amount of \$1,941,251 to train 180 new hire machine operators, 45 machine shop employees, 182 special employment training career ladder employees, and 40 Advanced Technology employees to be trained in Manufacturing Technology. Ms. Torres defined frontline worker as one who directly produces goods and/or services and does not have the authority to hire or fire at the management level.

Mr. DeMauro read the Regulatory definition of a frontline worker. "The frontline worker means an individual who meets one of the following criteria: is not exempt from overtime under State or Federal law providing he or she directly produces or delivers goods or services; is covered by a collective bargaining agreement providing he or she directly produces or delivers goods or services; is exempt from overtime under State or Federal law and not covered by a collective bargaining unit if his or her primary job responsibility is directly producing or delivering goods and or services; and for purposes of Special Employment Training projects, a frontline worker may also be the owner of a business with at least one but less than ten full time employees and whose primary duty consists of directly producing or delivering goods and or services."

Ms. Torres stated Rands estimates that the employers' in-kind contribution for on-going training of the new hire trainees will be approximately \$760,000. The Contractor has provided ETP with justification for training costs of \$20, which exceeds the fixed-fee rate of \$13, for those trainees with demonstrated career paths.

Ms. Torres introduced Robert Rapkin, President, and Dennis Jones, Director. Mr. Rankin and Mr. Brown stated they could not support a project with a high cost per trainee that pays its employees below the ETP minimum wage rate. Mr. Rapkin replied

the employees in the lower wage range have a very limited amount of experience. Mr. DeMauro suggested the Contractor withdraw from consideration at this month's Panel meeting the Career Ladder portion of the proposal and the request for an additional 4 percent for support costs (increasing the total support cost to 12 percent).

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement with the following exceptions to Group #1 new hire trainees: the retention period be 120 days with the same employer; no minimum wage waiver; no additional 4 percent support cost for recruitment; and eliminate Group #3 SET Career Ladder trainees.

Motion carried, 6 - 0.

Sempra Energy

Ms. Torres presented a One-Step Agreement for Sempra Energy in the amount of \$409,760 to train 390 Information Technology (IT) workers in Advanced Technology, Computer Skills, Continuous Improvement, and Business Skills. Sempra Energy has applied for ETP funding as a Special Employment Training project. Sempra Energy is an energy services holding company whose subsidiaries provide electricity and natural gas products and services. The Contractor stated that to remain up-to-date with the applications requested by its customers and the new Web Technologies, Sempra IT frontline workers will need to significantly upgrade their skills and will enable the Company to remain viable in the California economy. Sempra estimated training related costs not covered by ETP funds will total approximately \$510,345 and wages to be paid to employees during training will total approximately \$1,005,200. Sempra is requesting funding under the Advanced Technology Fixed-Fee cost reimbursement rate of \$20 per hour.

Ms. Torres introduced Mirin Wu, Director of Software Development Information Technology.

ACTION: Mr. Brown moved and Mr. Holstein seconded the Panel approve the One-Step Agreement.

Motion carried, 5 - 0 - 1 (Mr. Rankin abstained).

Alameda County Electrical Joint Apprenticeship & Training Committee

Mr. Rufo presented a proposed Amendment for Alameda County Electrical Industry Apprenticeship and Training Trust in the amount of \$75,000 to add 80 employees to be trained in Journey Level Electrical Skills. The International Brotherhood of Electrical Workers, Local Union 595 support this Amendment. The Alameda County Electrical Join Apprenticeship & Training Trust is funded by contributions for the purpose of training apprentices rather than journey-level electricians. With the ETP-funded training,

journey-level electricians will obtain the necessary up-graded skills to remain fully employed in a changing labor market. The Contractor stated that the participating employers would contribute in excess of \$40,000 towards training related expenses.

Mr. Rufo introduced Victor Uno, Training Director, and Rich Corvello from the International Brotherhood of Electrical Workers Local No. 595.

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve the Amendment.

Motion carried, 6 - 0.

Western Electrical Contractors Association, Incorporated

Mr. Rufo presented a One-Step Agreement for Western Electrical Contractors Association, Inc. (WECA) in the amount of \$160,160 to train 80 employees in Electrical Theory and Code. The WECA is a non-profit State approved apprenticeship program. None of the funds available are for journey-level training classes. There are no funds for upgrading the skills of journey-level workers. Based on member employer feedback, journey-level electricians need to upgrade their skills to keep pace with technological advances in the electrical industry. WECA will provide an employer contribution estimated at \$106,000 in training related costs.

Mr. Rufo introduced Kim Spitze, State Superintendent of Instruction, and Carl Martinez, Chief Journeyman Trainer. Mr. Rankin questioned some of the proposed training that should be included in apprenticeship training. Mr. Spitze replied that many of the journey level workers have been working at that level but never received Electrical Theory and Code training.

ACTION: Mr. Holstein moved and Ms. Murphy seconded the Panel approve the One-Step Agreement.

Motion carried, 5 - 1 (Mr. Rankin voted no).

Goodwill Industries of Ventura and Santa Barbara

Mr. Rufo presented a One-Step Agreement for Goodwill Industries of Ventura and Santa Barbara Counties in the amount of \$223,420 to train 50 new hires and 10 employees. The mission of Goodwill Industries is to provide training and employment opportunities for people with barriers to employment. ETP reimbursement for training will exceed the \$2,840 per trainee. The cost to train New Hire trainees totals \$3,830 for 240 hours of training. The amount of training has proved to be a reasonable amount as the

Contractor expects all 50 trainees in the previous contract will complete the 90-day retention period. At least 80 percent of the trainees will earn more than \$10 per hour.

Mr. Rufo introduced Joyce Larson, Director of Computer Training, and Judy Goodrich, Computer Instructor.

ACTION: Mr. Brown moved and Mr. Rankin seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

XIV. EMPLOYMENT DEVELOPMENT DEPARTMENT

Mr. DeMauro presented a Letter of Intent between ETP and EDD in the amount of \$10 million to support the Governor's Information Technology Initiative and the California Career Ladders to the 21st Century Initiative. This project would fund training programs for Information Technology training conducted with local WIBs and for career ladder training which would provide workers with career opportunities to move from lower paying jobs to higher paying positions with increased responsibilities. In addition to the \$10 million to be allocated under the Letter of Intent, ETP will enter into a two year marketing agreement with EDD to provide \$250,000 in ETP funds to market the IT program throughout the State to local Workforce Investment Boards (WIB) and other eligible entities with which the local WIBs will be active in the development and performance of the training agreement. Ms. Murphy asked how much money would be available in the next fiscal for the normal funding programs after all the other moneys have been set aside. Ms. Carrillo stated ETP would have \$82 million for the next fiscal year for proposed projects. She stated ETP would have \$8.2 million next fiscal year for SET projects. Mr. DeMauro stated that language has been included in the 2001-2002 Strategic Plan stating that the allocation within the amount of \$10 million to Career Ladders and IT is subject to any limitations and funding categories imposed by the Panel.

ACTION: Ms. Murphy moved and Mr. Holstein seconded the Panel approve the Letter of Intent and Interagency Marketing Agreement.

Motion carried, 6 – 0.

XV. PUBLIC COMMENT

There were no members of the public who wished to comment.

XVI. EXECUTIVE SESSION

There was no Executive Session.

XVII. RECESS

The meeting was recessed at 7:00 p.m. to reconvene at 9:00 a.m. the following morning.

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Holiday Inn
1050 Burnett Avenue
Concord, CA 94520
June 29, 2001

I. CALL TO ORDER

Ms. Kwalwasser, Acting Chairperson, called the public Panel meeting to order at 10:00 a.m.

II. ROLL CALL

Members Present

Marsha Kwalwasser, Acting Chairperson
David Brown
Aram Hodess
Robert Holstein
Pat Murphy
Tom Rankin

Members Absent

Robert Lennox

Executive Staff Present

Ada Carrillo, Acting Assistant Director for Administration
Peter DeMauro, General Counsel and Acting Executive Director

III. STRATEGIC PLAN

Mr. DeMauro stated that one of the most critical functions of the Panel is to put into place a strong Strategic Plan. One of the main areas to be addressed by the Plan is the targeting of the Panel's resources towards specific industries and regions.

Ms. Carrillo informed the Panel that ETP is required to submit the Strategic Plan to the Legislature annually by July 1. She stated that the Department of Finance reviews the Strategic Plan in consideration of budget issues. Ms. Kwalwasser was concerned with meeting the July 1 deadline and asked if ETP could initiate a letter to the Legislature stating that the Panel, being a recent newly constituted Panel, has reviewed a draft of the

Strategic Plan and has asked staff to begin finalizing the Plan's provisions for submission to the Governor and Legislature.

Aram Hodess stated the most important perspective in the Strategic Plan should be the targeting of ETP's limited resources. He stated Dr. Levy's discussion at yesterday's Panel meeting emphasized the value of doing just that. Mr. Hodess stated ETP funds should be used to train incumbent workers facing out of state competition, and to provide unemployed workers training for higher skills leading to secure jobs and higher wages. He added there are other agencies and programs that provide for worker training that does not necessarily fall within ETP's responsibility, such as welfare to work training. Mr. Hodess stated there is no reference in the proposed Strategic Plan of upgrade training for journeymen in the construction industry. Mr. Hodess stated from his personal experience, and as Dr. Levy noted yesterday, there are new technologies, new materials, and new codes on which journeymen who have been in the trade for five or ten years need to be upgraded. Mr. Hodess would like to see the multiplier effect of different types of employment on the economy when targeting resources. He stated the Panel should also look at the starting wages in those different occupations even if the multiplier effect is lower. He then suggested, since ETP does not have the resources to provide all of the training needs in California, that ETP look at marketing the value of training to employers and to unions so that employers realize that there is a cost benefit in training their workers.

Pat Murphy agreed with Mr. Hodess on the targeting of funds and focusing on basic industries and their multiplier effect. Ms. Murphy commented on the Strategic Plan and the Annual Report. She stated the Annual Report typically focuses on outcomes that are not exactly the same as those expressed in the Strategic Plan. In the Plan, the amount of money to be allocated is stated; however, that is not the same thing as highlighting the benefits of training. She stated since the program has been in existence for many years, the Strategic Plan would have a better impact on the Panel's goals and would be more consistent with the Annual Report if ETP would track benchmark impacts as a result of the money allocated, as to job categories, basic industries served, and types of contracts, i.e., SET, high unemployment area, etc. Ms. Murphy stated it would be helpful if the Panel could set aside a day of planning for the Strategic Plan a couple of months prior to the deadline and before receiving a draft Plan from staff.

Robert Holstein stated that with ETP's lack of funds, the Panel does need to target specific areas where funding will have the greatest impact. His personal focus would be directed more toward the working poor but he agreed that there are other entities with funds available for the working poor and welfare to work populations. Therefore, with the limited amount of ETP funds, those populations should not be ETP's responsibility. He stated the focus should be on upgrading the skills of incumbent workers.

David Brown stated the Strategic Plan should reflect the revenue created as a result of ETP funding. Without the programs for training, without the increased jobs, without the ever-increasing salary as a benefit of the training, the State would be in a very difficult

situation. Mr. Brown stated he is pleased with the simplification of the application process. He is concerned about adding requirements to the funding that will make the process confusing and more difficult. He also mentioned briefly that ETP seriously consider its firm mandated minimum wage unless trainees are in an area of high unemployment. Mr. Brown stated there are areas that do not have high unemployment yet the ETP minimum wage rate prices a lot of the people we should be helping completely out of the marketplace. He does want the Strategic Plan to focus on industries but without detailing specific industries.

Tom Rankin stated that ETP needs to fit its program into the overall context of the other training programs within the State so the Legislators understand that ETP has a unique role. Mr. Rankin also agreed that ETP should not be responsible for funding the working poor population but focusing on incumbent worker training. He stated the targeting of funds is much more efficient than trying to respond to everyone who presents a proposal. He also agreed with multiplier effects and thought it might be advantageous to the Panel, when making a decision to approve a project, to have the multiplier effect included in each of the proposals. He would also like the Panel to have more discussion on contributions by employers. He stated the contribution issue is difficult, especially when a company has huge profits, and the question is why do they really need the training money. The Panel should concentrate on those situations and require more contribution or more commitment to future training so that ETP is not funding companies that are perfectly capable of doing training on their own. He stated if California is to have a productive economy, workers and employers need to be educated on the value of training.

Marsha Kwalwasser stated she thought it would be appropriate for the Panel's analysis of the economy to be the stepping-stone to its goals for Fiscal Year 2001-2002. She also thought the inclusion of multiplier effects would be helpful. She stated she would like the goals in the Strategic Plan to be more limited in scope. She stated ETP needs to make sure that the contract with EDD defines the ways in which the Panel wants to review proposed agreements. She stated the Panel also needs to look at the other individual marketing contracts and set aside time at future Panel meetings to meet with the marketing representatives to make sure they are complementing each other so that the investment ETP is making in marketing is successful. Ms. Kwalwasser personally finds the 90-day retention period a problematic issue. She suggested doing quarterly economic reports to make sure that the ETP programs are in keeping with the needs of the economy and the Panel's goals are met.

Steve Duscha, Alliance for ETP, stated that in the past ETP has hosted forums throughout the State to discuss issues and then presented draft documents for discussion before finalizing. He stated that more drafts, more meetings, and more consultations be presented before the final Strategic Plan is acted upon.

Mr. Duscha commented on some of the specific components in the plan. He stated in Goal 1 there is no mention of the private consultants, training companies, public and

private schools in the marketing plan. The Alliance feels they should be included in the marketing plan as well.

Mr. Duscha questioned manufacturing having preference over other industries. He stated many service companies are more mobile and have good multipliers. He stated that reports indicated that the high tech service industries are the future of the State's economy and questioned why that industry deserves just \$4.6 million compared with the 70 percent for manufacturing. Why limit these areas at all? He stated ETP should take a good look at who qualifies for out of state competition. That issue has not been visited for several years, there may be some professional services and financial services industries that should be added as a matter of course to the list of qualifying businesses.

Mr. Duscha commented on serving the working poor and high unemployment areas, and asked what the term "working poor" means. Does ETP want to train people who make less than the ETP minimum wage and under what circumstances? The whole question of wages is one that the Alliance suggests the Panel set aside some time to discuss.

Mr. Duscha stated the small business training objectives are good but it should be clear that the Strategic Plan intends to help small business and that the Panel intends to help small business through both individual contracts and consortia and multi-employer contracts. He stated ETP reaches 90 percent of its small businesses through consortia and multi-employer contracts.

Mr. Duscha indicated it would be useful to schedule some extended discussion of new hires and their role in the ETP program. The Alliance would also like more thought given to the list of potential targeted occupations. One example is that the plan doesn't include the new technician occupations targeted in the EDD IT initiative.

Mr. Duscha stated the focus on the Strategic Plan should not be on excluding certain industries or types of training, but on establishing incentives for particular types of training. For example, the Panel may decide that it is important to support retraining for electricians so they can handle new technology, or new companies severely impacted by high-energy costs that might otherwise lay off employees and leave the State. The Panel may emphasize Career Ladders, or projects that highlight a commitment to high-road economy that promises to upgrade the skills and wages of low paid workers who have barriers to advancement. Once the Panel settles on items on which to focus, the Panel should then set out an array of incentives to bring those projects forward.

Ada Carrillo stated the mandate for this Panel is to target and identify industries and regions of the State for the purpose of focusing funding. Ms. Carrillo stated ETP is spending in excess of \$1.5 million for marketing contracts. She stated many of those marketing contracts are relatively new and the Panel would be seeing the results of those contracts in the next few years. She reported last fiscal year the Panel approved 69 percent of ETP funds for manufacturing. She stated the multiplier effects of

manufacturing are among the highest of all industry sectors. Ms. Carrillo announced ETP would bring the Welfare to Work issue to the July Panel meeting for discussion.

Marsha Kwalwasser stated she would like the section on ETP's Role in the California Economy be the first topic in the Strategic Plan. She stated the occupation list should not list anything that does not reflect priorities, and the priorities should be listed in order of importance. Ms. Kwalwasser asked if it would be in the Panel's interest politically or procedurally to list specific occupations rather than specific industries. She asked whether it would be more appropriate to perhaps make a breakdown on region and leave out some of the targeted jobs.

Pat Murphy suggested that ETP's goals and objectives be conveyed to the reader by providing a framework explaining why certain goals are important. She suggested if the Panel wants to illustrate the nature of the economy, it could be presented in the form of an overview.

Mr. DeMauro directed the Panel's attention to ETP's Regulations, Legislation, and Policies for guidance in decision-making. He stated there is allowance for broad interpretation.

Pat Murphy asked if the Panel should be targeting only those industries that are representative of the economy, or if the primary focus should be industry sectors that are subject to out of state competition. She stated the Panel should also review job classifications at risk.

Aram Hodess stated the purpose of a Strategic Plan is to set up funding parameters in order to inform the contractors/employers what the Panel will fund. He noted the construction industry was missing in several areas in the Plan, and he thought that industry needed to be included because of the importance of upgrade training for construction workers in our technologically booming state. He also stated it concerned him when he sees projects with high costs that are for minimum wage jobs in industries that are not subject to out of state competition.

Mr. Rankin stated that he approved the suggestion of convening meetings with the different marketing agencies. Mr. Rankin stated that there is federal money funneled through the state for the purchase of equipment to help companies upgrade their technological capacities. He stated ETP could assist California businesses to be successful and to remain viable in the economy by advising the employers to take advantage of those other opportunities.

Mr. Rankin suggested the Panel could possibly solve problems by not using the term manufacturing and instead focusing on the statute which addresses helping the growth of the California economy by stimulating exports from the State, production of goods and services that would otherwise be imported from outside the State.

Mr. DeMauro stated the Strategic Plan would be redrafted and forwarded to Panel members within the next two weeks. Ms. Kwalwasser suggested the Plan could be reviewed the day before the July 26 Panel meeting.

The Strategic Plan Session was adjourned at 11:20 a.m.